

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL  
DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

## Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 14-15
Statement of Activities	B 16-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements:	
Statement of Net Position	G 23
Statement of Revenues, Expenses, and Changes in Fund NetPosition	H 24
Statement of Cash Flows	I 25
Notes to Financial Statements	26-35
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	37
Notes to Required Supplementary Information - Budgetary Reporting	38
Schedule of Funding Progress for the Retiree Health Plan	39
	<u>Schedule</u>
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	2 42
Capital Project Accounts:	
Combining Balance Sheet	3 43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6 46
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	47-48
Schedule of Findings and Responses	49-51

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**Board of Education**

(Before September 2013 Election)

Vernon Letsche	President	2015
Karla Prunty	Vice President	2015
Jeff Gross	Board Member	2013
Jerry Moser	Board Member	2013
Brian Mugge	Board Member	2015
Kathy Jochims	Board Member	2013
Nancy Hohbach	Board Member	2013

(After September 2013 Election)

Vernon Letsche	President	2015
Karla Prunty	Vice President	2015
Brian Mugge	Board Member	2015
Nancy Hohbach	Board Member	2017
Jeff Goth	Board Member	2017
Luke Olson	Board Member	2017
Danae Dreckman	Board Member	2017

**School Officials**

Jan Brandhorst	Superintendent
Joe Mohning	District Treasurer/Secretary

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

Independent Auditor's Report

To the Board of Education of  
Marcus-Meriden-Cleghorn Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District, Marcus, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcus-Meriden-Cleghorn Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2015 on our consideration of Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

May 31, 2015

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The Marcus-Meriden-Cleghorn (MMC) Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,803,422 in fiscal 2013 to \$4,867,778 in fiscal 2014, while General Fund expenditures increased from \$4,477,891 in fiscal 2013 to \$4,699,973 in fiscal 2014. The District's General Fund balance increased from \$1,041,539 in fiscal 2013 to \$1,209,344 in fiscal 2014, a 16% increase.
- The District's solvency ratio has continued to increase to 17.95% from 9.56% in 2012.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of MMC Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MMC Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MMC Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Marcus-Meriden-Cleghorn Community School District Annual Financial Report***

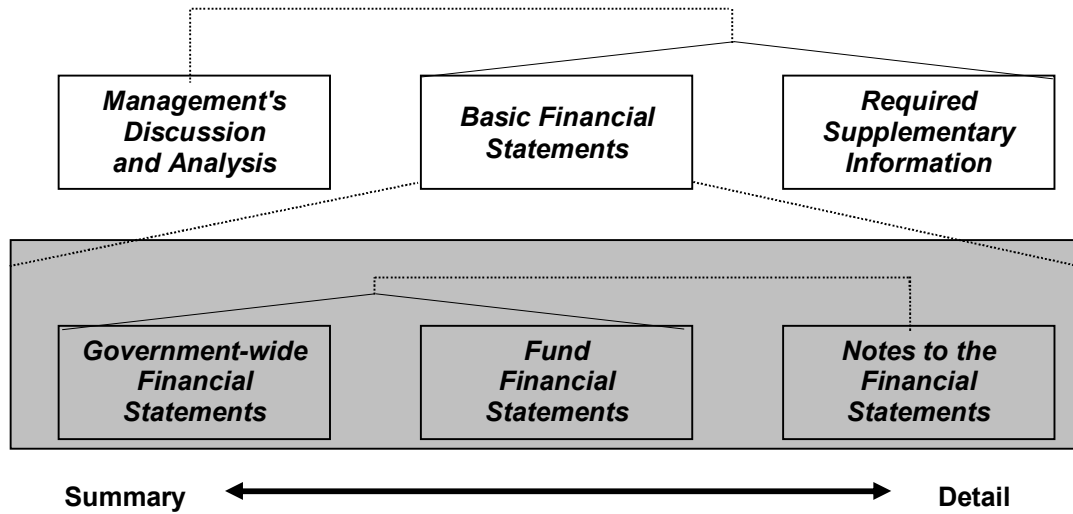


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating.



To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2013-2014 %
	Governmental Activities		Business-type Activities		Total School District		
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,911,877	7,306,981	71,893	73,453	7,983,770	7,380,434	8.17
Capital assets	3,694,804	3,772,308	39,726	46,981	3,734,530	3,819,289	-2.22
<b>Total assets</b>	<b>11,606,681</b>	<b>11,079,289</b>	<b>111,619</b>	<b>120,434</b>	<b>11,718,300</b>	<b>11,199,723</b>	<b>4.63</b>
Long-term liabilities	2,184,208	2,292,162	-	514	2,184,208	2,292,676	-4.73
Other liabilities	538,228	591,972	385	1,576	538,613	593,548	-9.26
<b>Total liabilities</b>	<b>2,722,436</b>	<b>2,884,134</b>	<b>385</b>	<b>2,090</b>	<b>2,722,821</b>	<b>2,886,224</b>	<b>-5.66</b>
Deferred inflows of resources	3,200,358	3,090,227	4,307	4,165	3,204,665	3,094,392	3.56
Net Position:							
Net investment in capital assets	1,634,804	1,582,308	39,726	46,981	1,674,530	1,629,289	2.78
Restricted	2,901,510	2,319,573	-	-	2,902,024	2,319,573	25.11
Unrestricted	1,147,573	1,203,047	67,201	67,198	1,214,260	1,270,245	-4.41
<b>TOTAL NET POSITION</b>	<b>5,683,887</b>	<b>5,104,928</b>	<b>106,927</b>	<b>114,179</b>	<b>5,790,814</b>	<b>5,219,107</b>	<b>10.95</b>

The District's total net position increased 10.95%, or \$571,707, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets position resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$582,451 or 25.11% over the prior year. Two main factors contributed to this increase, the use of a debt service surplus levy of \$220,000 and the use of leftover capital project funds to repay their outstanding debt. This allowed the Local Option Sales and Service Tax to increase by \$383,757.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$55,985, or 4.41%. This decrease in unrestricted net position was a result of the District using the Cash Reserve Levy to increase our cash balance.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
	\$	\$	\$	\$	\$	\$	%
Revenues							
Program Revenues:							
Charges for services	264,132	328,018	109,601	109,419	373,733	437,437	-14.56
Operating grants & contributions	768,255	691,885	88,830	93,892	857,085	785,777	9.07
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	3,094,921	2,932,758	-	-	3,094,921	2,932,758	5.53
Income surtax	253,315	276,566	-	-	253,315	276,566	-8.41
Statewide sales, services & use tax	396,551	383,757	-	-	396,551	383,757	3.33
Unrestricted state grants	1,224,324	1,173,406	-	-	1,224,324	1,173,406	4.34
Unrestricted investment earnings	4,548	8,027	34	91	4,582	8,118	-43.56
Other revenue	-	1,114	1,223	-	1,223	1,114	9.78
<b>Total Revenues</b>	<b>6,006,046</b>	<b>5,795,531</b>	<b>199,688</b>	<b>203,402</b>	<b>6,205,734</b>	<b>5,998,933</b>	<b>3.45</b>
Expenses:							
Instruction	3,281,404	3,178,531	-	-	3,281,404	3,178,531	3.24
Support services	1,567,171	1,519,783	-	-	1,567,171	1,519,783	3.12
Non-instructional programs	-	-	206,940	200,538	206,940	200,538	3.19
Other expenditures	578,512	483,246	-	-	578,512	483,246	19.71
<b>Total expenses</b>	<b>5,427,087</b>	<b>5,181,560</b>	<b>206,940</b>	<b>200,538</b>	<b>5,634,027</b>	<b>5,382,098</b>	<b>4.47</b>
<b>CHANGE IN NET POSITION</b>	<b>578,959</b>	<b>613,971</b>	<b>(7,252)</b>	<b>2,864</b>	<b>571,707</b>	<b>616,835</b>	<b>-7.32</b>
Net position beginning of year	5,104,928	4,490,957	114,179	111,315	5,219,107	4,602,272	13.40
Net position end of year	5,683,887	5,104,928	106,927	114,179	5,790,814	5,219,107	10.95

In fiscal year 2014 property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3.45% increase in revenues and a 4.47% increase in expenses. Property tax increased \$162,163 and our unrestricted state grants increased \$50,918.

### Governmental Activities

Revenues for governmental activities were \$6,006,046 and expenses were \$5,427,087.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2014	2013	Percent Change	2014	2013	Percent Change
	\$	\$	2013-2014 %	\$	\$	2013-2014 %
Instruction	3,281,404	3,178,531	3.24	2,438,590	2,339,574	4.23
Support Services	1,567,171	1,519,783	3.12	1,564,993	1,516,722	3.18
Other Expenses	578,512	483,246	19.71	391,117	305,361	28.08
<b>TOTAL</b>	<b>5,427,087</b>	<b>5,181,560</b>	<b>4.74</b>	<b>4,394,700</b>	<b>4,161,657</b>	<b>5.60</b>

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$264,132. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$768,255.
- The net cost of governmental activities was financed with \$3,744,787 in property and local other taxes and \$1,224,324 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$199,688 and expenses were \$206,940. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, MMC Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,929,525, which was an increase over last year's ending fund balances of \$3,344,061.

### Governmental Fund Highlights

- The General Fund balance increased from \$1,041,539 to \$1,209,344, mainly due to the use of a cash reserve levy.
- The Capital Projects Fund balance increased due to our sales tax revenues being greater than our debt payment leaving a balance of \$2,040,585 to end Fiscal 2014.

## Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$114,179 at June 30, 2013 to \$106,927 at June 30, 2014, representing a decrease of 6.35%. The reason for the decrease in net position was due to a decrease in enrollment which in-turn led to a decrease in meals served during the year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, MMC Community School District's receipts were \$192,740 more than budgeted receipts, a variance of 3.20%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$3,734,530, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.22% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$246,179.

*Figure A-6*

#### *Capital Assets (net of depreciation)*

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	%
Land	11,900	11,900	-	-	11,900	11,900	0.00
Buildings	2,868,649	2,947,663	-	-	2,868,649	2,947,663	-2.68
Improvements	677,269	595,662	-	-	677,269	595,662	13.70
Equipment & furniture	136,986	217,083	39,726	46,981	176,712	264,064	-33.08
<b>TOTAL</b>	<b>3,694,804</b>	<b>3,772,308</b>	<b>39,726</b>	<b>46,981</b>	<b>3,734,530</b>	<b>3,819,289</b>	<b>-2.22</b>

## Long-Term Debt

At June 30, 2014 the District had \$2,151,378 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 4.65% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District's general obligation bonds are not rated.

The early retirement benefits are scheduled to be fully paid out in fiscal year 2014. There have not been any discussions to date of adding any new retirement benefits at this time, which will help reduce our total indebtedness.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2014	2013	2013-2014
Governmental activities:	\$	\$	%
General obligation bonds	2,060,000	2,190,000	-5.94
Early retirement	0	5,382	-100.00
Net OPEB liability	91,892	61,526	49.35
	<u>2,151,892</u>	<u>2,256,908</u>	<u>-4.65</u>
Business type activities:			
Net OPEB liability	<u>0</u>	<u>514</u>	<u>-100.00</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The biggest concern that MMC faces is the declining enrollment, the reason for concern is that state funding is calculated on a per student basis. With that in mind, the largest remaining class graduated in the spring of 2013. The 2015 budget will see a decrease of 18.2 students on the certified budget. This has forced the District to cut expenses and look at other ways to keep the District financially stable.
- The District's Board and Administrators have turned their main focus of the District at this time is to work on a sharing relationship with our neighboring District. The District is still reviewing their current facilities to see if any changes or updates can be made to help cut costs. The District has taken a very proactive approach to the future and we continue to look at any and all ways to keep the District financially solvent.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joe Mohning, District Treasurer and Business Manager, Marcus-Meriden-Cleghorn Community School District, 400 E Fenton, Marcus, Iowa, 51035.

## BASIC FINANCIAL STATEMENTS

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	4,200,378	64,445	4,264,823
Receivables:			
Property tax:			
Delinquent	32,091	-	32,091
Succeeding year	3,200,358	-	3,200,358
Accounts	-	229	229
Due from other governments	422,656	-	422,656
Inventories	-	7,219	7,219
Prepaid expenses	12,347	-	12,347
Unamortized bond issue costs	44,047	-	44,047
Capital assets, net of accumulated depreciation	3,694,804	39,726	3,734,530
<b>Total assets</b>	<b>11,606,681</b>	<b>111,619</b>	<b>11,718,300</b>
<b>Liabilities</b>			
Accounts payable	126,864	-	126,864
Salaries and benefits payable	382,182	385	382,567
Accrued interest payable	29,182	-	29,182
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	-	135,000
Portion due after one year:			
General obligation bonds payable	1,925,000	-	1,925,000
Bond premium	32,316	-	32,316
Net OPEB liability	91,892	-	91,892
<b>Total liabilities</b>	<b>2,722,436</b>	<b>385</b>	<b>2,722,821</b>
Deferred Inflows of Resources:			
Unavailable property tax revenue	3,200,358	-	3,200,358
Other	-	4,307	4,307
	<b>3,200,358</b>	<b>4,307</b>	<b>3,204,665</b>



## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net position</b>			
Net investment in capital assets	1,634,804	39,726	1,674,530
Restricted for:			
Categorical funding			
Categorical funding	217,773	-	217,773
Management levy	428,648	-	428,648
Physical plant and equipment levy	246,315	-	246,315
Student activities	21,991	-	21,991
School infrastructure	1,794,270	-	1,794,270
Debt service	193,027	-	193,027
Unrestricted	1,147,059	67,201	1,214,260
<b>Total net position</b>	<b>5,683,887</b>	<b>106,927</b>	<b>5,790,814</b>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Activities  
Year ended June 30, 2014

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,271,962	121,009	510,899	-
Special	486,657	26,037	20,805	-
Other	522,785	116,616	47,448	-
	<u>3,281,404</u>	<u>263,662</u>	<u>579,152</u>	<u>-</u>
Support services:				
Student	201,327	-	-	-
Instructional staff	92,974	-	-	-
Administration	548,943	-	-	-
Operation and maintenance of plant	437,661	470	-	-
Transportation	286,266	-	1,708	-
	<u>1,567,171</u>	<u>470</u>	<u>1,708</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	123,386	-	-	-
Long-term debt interest	112,248	-	2,938	-
AEA flowthrough	184,457	-	184,457	-
Depreciation (unallocated)*	158,421	-	-	-
	<u>578,512</u>	<u>-</u>	<u>187,395</u>	<u>-</u>
Total governmental activities	5,427,087	264,132	768,255	-
Business type activities:				
Non-instructional programs:				
Food service operations	206,940	109,601	88,830	-
Total	<u>5,634,027</u>	<u>373,733</u>	<u>857,085</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
<b>Change in net position</b>				
Net position beginning of year				
Net position end of year				

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,640,054)	-	(1,640,054)
(439,815)	-	(439,815)
(358,721)	-	(358,721)
<u>(2,438,590)</u>	<u>-</u>	<u>(2,438,590)</u>
(201,327)	-	(201,327)
(92,974)	-	(92,974)
(548,943)	-	(548,943)
(437,191)	-	(437,191)
(284,558)	-	(284,558)
<u>(1,564,993)</u>	<u>-</u>	<u>(1,564,993)</u>
(123,386)	-	(123,386)
(109,310)	-	(109,310)
-	-	-
(158,421)	-	(158,421)
<u>(391,117)</u>	<u>-</u>	<u>(391,117)</u>
(4,394,700)	-	(4,394,700)
-	(8,509)	(8,509)
<u>(4,394,700)</u>	<u>(8,509)</u>	<u>(4,403,209)</u>
2,585,128	-	2,585,128
220,995	-	220,995
288,798	-	288,798
253,315	-	253,315
396,551	-	396,551
1,224,324	-	1,224,324
4,548	34	4,582
-	1,223	1,223
<u>4,973,659</u>	<u>1,257</u>	<u>4,974,916</u>
578,959	(7,252)	571,707
<u>5,104,928</u>	<u>114,179</u>	<u>5,219,107</u>
<u>5,683,887</u>	<u>106,927</u>	<u>5,790,814</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2014

	General	Capital	Debt	Nonmajor	Total
	\$	Projects	Service	Governmental	\$
<b>Assets</b>					
Cash, cash equivalents and pooled investments	1,562,536	1,967,430	220,000	450,412	4,200,378
Receivables:					
Property tax:					
Delinquent	25,952	2,886	2,209	1,044	32,091
Succeeding year	2,104,206	298,102	698,050	100,000	3,200,358
Interfund receivable	6,333	-	-	-	6,333
Due from other governments	321,635	101,021	-	-	422,656
Prepaid expenditures	5,599	-	-	6,748	12,347
<b>Total assets</b>	<u>4,026,261</u>	<u>2,369,439</u>	<u>920,259</u>	<u>558,204</u>	<u>7,874,163</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	102,445	24,419	-	-	126,864
Salaries and benefits payable	381,365	-	-	817	382,182
Interfund payable	-	6,333	-	-	6,333
Total liabilities	<u>483,810</u>	<u>30,752</u>	<u>-</u>	<u>817</u>	<u>515,379</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,104,206	298,102	698,050	100,000	3,200,358
Income surtax	228,901	-	-	-	228,901
Total deferred inflows of resources	<u>2,333,107</u>	<u>298,102</u>	<u>698,050</u>	<u>100,000</u>	<u>3,429,259</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	5,599	-	-	6,748	12,347
Restricted for:					
Categorical funding	217,773	-	-	-	217,773
Debt service	-	-	222,209	-	222,209
Management levy purposes	-	-	-	428,648	428,648
Student activities	-	-	-	21,991	21,991
School infrastructure	-	1,794,270	-	-	1,794,270
Physical plant and equipment	-	246,315	-	-	246,315
Unassigned	985,972	-	-	-	985,972
Total fund balances	<u>1,209,344</u>	<u>2,040,585</u>	<u>222,209</u>	<u>457,387</u>	<u>3,929,525</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>4,026,261</u>	<u>2,369,439</u>	<u>920,259</u>	<u>558,204</u>	<u>7,874,163</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2014

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	3,929,525
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,694,804
Unamortized bond issue costs are not financial resources and, therefore, are not reported as assets in the governmental funds.	44,047
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	228,901
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,182)
Long-term liabilities, including bonds payable, bond premiums, termination benefits and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	(2,184,208)
<b>Net position of governmental activities (Exhibit A)</b>	<u><u>5,683,887</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,730,116	316,058	220,995	100,349	3,367,518
Tuition	110,742	-	-	-	110,742
Other	37,279	7,527	-	113,132	157,938
State sources	1,826,149	396,551	-	-	2,222,700
Federal sources	163,492	-	-	-	163,492
Total revenues	<u>4,867,778</u>	<u>720,136</u>	<u>220,995</u>	<u>213,481</u>	<u>6,022,390</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,229,864	54,556	-	16,981	2,301,401
Special	484,169	-	-	-	484,169
Other	401,445	-	-	120,096	521,541
	<u>3,115,478</u>	<u>54,556</u>	<u>-</u>	<u>137,077</u>	<u>3,307,111</u>
Support services:					
Student	199,254	-	-	-	199,254
Instructional staff	92,974	-	-	-	92,974
Administration	543,757	-	-	-	543,757
Operation and maintenance of plant	348,540	1,425	-	85,290	435,255
Transportation	215,513	39,527	-	12,774	267,814
	<u>1,400,038</u>	<u>40,952</u>	<u>-</u>	<u>98,064</u>	<u>1,539,054</u>
Other expenditures:					
Facilities acquisition	-	181,729	-	-	181,729
Long-term debt:					
Principal	-	-	130,000	-	130,000
Interest and fiscal charges	-	-	94,575	-	94,575
AEA flowthrough	184,457	-	-	-	184,457
	<u>184,457</u>	<u>181,729</u>	<u>224,575</u>	<u>-</u>	<u>590,761</u>
Total expenditures	<u>4,699,973</u>	<u>277,237</u>	<u>224,575</u>	<u>235,141</u>	<u>5,436,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,805</u>	<u>442,899</u>	<u>(3,580)</u>	<u>(21,660)</u>	<u>585,464</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	64,223	225,789	-	290,012
Operating transfers out	-	(290,012)	-	-	(290,012)
Total other financing sources (uses)	-	(225,789)	225,789	-	-
Change in fund balances	167,805	217,110	222,209	(21,660)	585,464
Fund balances beginning of year	1,041,539	1,823,475	-	479,047	3,344,061
Fund balances end of year	1,209,344	2,040,585	222,209	457,387	3,929,525

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2014

	\$	\$
<b>Change in fund balances - total governmental funds (Exhibit E)</b>		585,464
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	161,195	
Depreciation expense	<u>(238,699)</u>	(77,504)
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(19,282)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		130,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(13,669)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	5,382	
Other postemployment benefits	<u>(30,366)</u>	(24,984)
The premium on bonds issued is amortized over the life of the bonds for the Statement of Activities.		2,938
Bond issue costs are recorded as an expense for the governmental funds, but are capitalized and amortized over the life of the bonds for the Statement of Activities.		<u>(4,004)</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>578,959</u></u>



## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Fund

June 30, 2014

	Enterprise Fund
	Nonmajor School Nutrition
	\$
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	64,445
Accounts receivable	229
Inventories	7,219
Total current assets	<u>71,893</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>39,726</u>
<b>Total assets</b>	<u>111,619</u>
<b>Liabilities</b>	
Current liabilities:	
Salaries and benefits payable	385
Deferred revenue	<u>4,307</u>
<b>Total liabilities</b>	<u>4,692</u>
<b>Net position</b>	
Investment in capital assets	39,726
Unrestricted	<u>67,201</u>
<b>Total net position</b>	<u><u>106,927</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund
	Nonmajor School Nutrition
	\$
Operating revenues:	
Local sources:	
Charges for service	109,601
Operating expenses:	
Non-instructional programs:	
Salaries	72,082
Benefits	11,957
Purchased services	1,819
Supplies	113,118
Depreciation	7,480
Other	484
Total operating expenses	206,940
Operating income (loss)	(97,339)
Non-operating revenues:	
State sources	1,831
Federal sources	86,999
Interest income	34
Total non-operating revenues	88,864
Gain (loss) before capital contributions and other income	(8,475)
Capital contributions	709
Other income	514
	1,223
Decrease in net position	(7,252)
Net position beginning of year	114,179
Net position end of year	106,927

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund
	Nonmajor School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	109,720
Cash paid to employees for services	(84,208)
Cash paid to suppliers for goods or services	(109,541)
Net cash used by operating activities	<u>(84,029)</u>
Cash flows from non-capital financing activities:	
Loan from (repaid to) General Fund	494
State grants received	1,831
Federal grants received	81,448
Net cash provided by non-capital financing activities	<u>83,773</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>34</u>
Net increase (decrease) in cash and cash equivalents	(222)
Cash and cash equivalents at beginning of year	<u>64,667</u>
Cash and cash equivalents at end of year	<u><u>64,445</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(97,339)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	7,058
Depreciation	7,964
Decrease (increase) in inventories	(640)
Decrease (increase) in accounts receivable	(23)
(Decrease) increase in accounts payable	(1,022)
(Decrease) increase in salaries and benefits payable	(169)
(Decrease) increase in deferred revenue	142
Net cash used by operating activities	<u><u>(84,029)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received \$7,058 of federal commodities.

During the year ended June 30, 2014, the School Nutrition Fund received \$709 of equipment that was purchased by other funds.

# MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### 1. Summary of Significant Accounting Policies

Marcus-Meriden-Cleghorn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Marcus, Meriden and Cleghorn Iowa and the predominately agricultural territory in a portion of Cherokee and Plymouth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Marcus-Meriden-Cleghorn Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Marcus-Meriden-Cleghorn Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide

and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,500
Improvements other than buildings	3,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Non-spendable . Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional and other expenditures functions.

## 2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had \$220,000 of investments in US Treasury Notes as of June 30, 2014.



### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund Fund	Property Plant & Equipment Fund	6,333

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental Debt Service Fund	Capital Projects Fund	225,789

The transfer from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	11,900	-	-	11,900
Capital assets being depreciated:				
Buildings	5,009,098	-	-	5,009,098
Improvements other than buildings	1,092,824	58,344	-	1,151,168
Furniture and equipment	1,085,850	102,851	-	1,188,701
Total capital assets being deprec.	7,187,772	161,195	-	7,348,967
Less accumulated depreciation for:				
Buildings	2,023,985	116,464	-	2,140,449
Improvements other than buildings	431,942	41,957	-	473,899
Furniture and equipment	971,437	80,278	-	1,051,715
Total accumulated depreciation	3,427,364	238,699	-	3,666,063
Total capital assets being depreciated, net	3,760,408	(77,504)	-	3,682,904
Governmental activities capital assets, net	3,772,308	(77,504)	-	3,694,804
<b>Business type activities:</b>				
Furniture and equipment	132,797	709	-	133,506
Less accumulated depreciation	85,816	7,480	(484)	93,780
Business type activities capital assets, net	46,981	(6,771)	484	39,726

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	20,511
Support services:	
Administration services	1,040
Operation and maintenance of plant	748
Transportation	57,979
	80,278
Unallocated depreciation	158,421
Total depreciation expense . governmental activities	238,699
Business type activities:	
Food services	7,480

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
General obligation bonds	2,190,000	-	130,000	2,060,000	135,000
Termination benefits	5,382	-	5,382	-	-
Net OPEB liability	61,526	30,366	-	91,892	-
	2,256,908	29,852	135,382	2,151,378	135,000
Business type activities:					
Net OPEB liability	514	-	514	-	-

### Termination Benefits

The District offered a voluntary early retirement plan to its employees in prior years. Eligible employees must have completed at least fifteen years of consecutive service to the District and must have reached the age of fifty-seven on or before June 30 in the calendar year in which early retirement started.

The fiscal year 2010 plan offered \$15,000 per participant, to be paid over three years.

At June 30, 2014, the District has no obligations. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$5,382.

### General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of December 2006				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	4.25	135,000	87,550	222,550
2016	4.25	140,000	81,813	221,813
2017	4.25	150,000	75,862	225,862
2018	4.25	155,000	69,488	224,488
2019	4.25	160,000	62,900	222,900
2020-2024	4.25	905,000	206,763	1,111,763
2025-2026	4.25	415,000	26,562	441,562
		<u>2,060,000</u>	<u>610,938</u>	<u>2,670,938</u>

## 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$241,918, \$216,604, and \$204,756 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 36 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	48,057
Interest on net OPEB obligation	1,551
Adjustment to annual required contribution	(5,312)
Annual OPEB cost	44,296
Contributions made	(14,444)
Increase in net OPEB obligation	29,852
Net OPEB obligation beginning of year	62,040
Net OPEB obligation end of year	91,892

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$14,444 to the medical plan. Plan members eligible for benefits contributed \$69,204, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost \$	Percentage of Annual OPEB Cost Contributed %	Net OPEB Obligation \$
June 30, 2010	28,093	55%	12,575
June 30, 2011	27,358	63%	22,621
June 30, 2012	28,408	68%	31,683
June 30, 2013	30,357	38%	62,040
June 30, 2014	44,296	33%	91,892

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$291,065, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$291,065. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,020,000, and the ratio of the UAAL to covered payroll was 14.4%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 group annuity mortality table projected to 2000.

The UAAL is being amortized over 30 years.

## **9. Risk Management**

Marcus-Meriden-Cleghorn Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$184,457 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	21,197
Returning dropout and dropout prevention program	20,065
Teacher salary supplement	24,583
Home school assistance program	61,127
Educator quality, professional development	45,627
Youth development	2,457
Early literacy	13,101
Teacher leadership	6,675
Core curriculum	22,941
	<u>217,773</u>

## **12. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## REQUIRED SUPPLEMENTARY INFORMATION

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	3,636,198	109,635	3,745,833	4,045,532	4,045,532	(299,699)
State sources	2,222,700	1,831	2,224,531	1,829,583	1,829,583	394,948
Federal sources	163,492	86,999	250,491	153,000	153,000	97,491
Total revenues	<u>6,022,390</u>	<u>198,465</u>	<u>6,220,855</u>	<u>6,028,115</u>	<u>6,028,115</u>	<u>192,740</u>
Expenditures/Expenses:						
Instruction	3,307,111	-	3,307,111	3,405,500	3,405,500	98,389
Support services	1,539,054	-	1,539,054	1,914,500	1,914,500	375,446
Non-instructional programs	-	206,940	206,940	198,000	198,000	(8,940)
Other expenditures	590,761	-	590,761	428,362	428,362	(162,399)
Total expenditures/expenses	<u>5,436,926</u>	<u>206,940</u>	<u>5,643,866</u>	<u>5,946,362</u>	<u>5,946,362</u>	<u>302,496</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	585,464	(8,475)	576,989	81,753	81,753	495,236
Other financing sources (uses) net	<u>-</u>	<u>1,223</u>	<u>1,223</u>	<u>-</u>	<u>-</u>	<u>1,223</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	585,464	(7,252)	578,212	81,753	81,753	496,459
Balance beginning of year	<u>3,344,061</u>	<u>114,179</u>	<u>3,458,240</u>	<u>3,063,969</u>	<u>3,063,969</u>	<u>394,271</u>
Balance end of year	<u><u>3,929,525</u></u>	<u><u>106,927</u></u>	<u><u>4,036,452</u></u>	<u><u>3,145,722</u></u>	<u><u>3,145,722</u></u>	<u><u>890,730</u></u>

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2014, expenditures in the non-instructional and other expenditures functions exceeded the amount budgeted.



MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	291,619	291,619	0.0%	1,695,000	17.2%
2011	July 1, 2009	-	269,098	269,098	0.0%	1,747,000	15.4%
2012	July 1, 2009	-	238,561	238,561	0.0%	1,639,000	14.6%
2013	July 1, 2012	-	302,502	302,502	0.0%	1,780,000	17.0%
2014	July 1, 2012	-	291,065	291,065	0.0%	2,020,000	14.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

<b>Assets</b>	<b>Special Revenue Funds</b>		<b>Total</b>
	<b>Management</b>	<b>Student</b>	
	<b>Levy</b>	<b>Activity</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash, cash equivalents and pooled investments	428,421	21,991	450,412
Receivables:			
Property tax:			
Delinquent	1,044	-	1,044
Succeeding year	100,000	-	100,000
Prepaid expenditures	6,748	-	6,748
<b>Total assets</b>	<b>536,213</b>	<b>21,991</b>	<b>558,204</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Salaries and benefits payable	817	-	817
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	100,000	-	100,000
Fund balances:			
Nonspendable prepaid expenses	6,748	-	6,748
Restricted for:			
Management levy	428,648	-	428,648
Student activities	-	21,991	21,991
Total fund balances	435,396	21,991	457,387
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>536,213</b>	<b>21,991</b>	<b>558,204</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds		
	Management	Student	
	Levy	Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	100,349	-	100,349
Other	5,476	107,656	113,132
Total revenues	<u>105,825</u>	<u>107,656</u>	<u>213,481</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	16,981	-	16,981
Other instruction	-	120,096	120,096
Support services:			
Operation and maintenance of plant	85,290	-	85,290
Transportation services	12,774	-	12,774
Total expenditures	<u>115,045</u>	<u>120,096</u>	<u>235,141</u>
Change in fund balances	(9,220)	(12,440)	(21,660)
Fund balances beginning of year	<u>444,616</u>	<u>34,431</u>	<u>479,047</u>
Fund balances end of year	<u><u>435,396</u></u>	<u><u>21,991</u></u>	<u><u>457,387</u></u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2014

Assets	Capital Projects			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	-	1,693,249	274,181	1,967,430
Receivables:				
Property tax:				
Delinquent	-	-	2,886	2,886
Succeeding year	-	-	298,102	298,102
Due from other governments	-	101,021	-	101,021
<b>Total assets</b>	<b>-</b>	<b>1,794,270</b>	<b>575,169</b>	<b>2,369,439</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	-	24,419	24,419
Interfund payables	-	-	6,333	6,333
Total liabilities	-	-	30,752	30,752
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	298,102	298,102
Fund balances:				
Restricted for:				
School infrastructure	-	1,794,270	-	1,794,270
Physical plant and equipment	-	-	246,315	246,315
Total fund balances	-	1,794,270	246,315	2,040,585
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>-</b>	<b>1,794,270</b>	<b>575,169</b>	<b>2,369,439</b>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	-	316,058	316,058
Other	571	2,078	4,878	7,527
State sources	-	396,551	-	396,551
Total revenues	<u>571</u>	<u>398,629</u>	<u>320,936</u>	<u>720,136</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	54,556	54,556
Support services:				
Operation and maintenance of plant	-	-	1,425	1,425
Transportation services	-	-	39,527	39,527
Other expenditures:				
Facilities acquisition	-	-	181,729	181,729
Total expenditures	<u>-</u>	<u>-</u>	<u>277,237</u>	<u>277,237</u>
Excess (deficiency) of revenues over (under) expenditures	571	398,629	43,699	442,899
Other financing sources (uses):				
Operating transfers in	64,223	-	-	64,223
Operating transfers out	(223,575)	(66,437)	-	(290,012)
Total other financing sources (uses)	<u>(159,352)</u>	<u>(66,437)</u>	<u>-</u>	<u>(225,789)</u>
Change in fund balance	(158,781)	332,192	43,699	217,110
Fund balances beginning of year	<u>158,781</u>	<u>1,462,078</u>	<u>202,616</u>	<u>1,823,475</u>
Fund balance end of year	<u>-</u>	<u>1,794,270</u>	<u>246,315</u>	<u>2,040,585</u>

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Boys basketball	4,311	4,262	3,545	-	5,028
Football	1,528	17,886	21,625	-	(2,211)
Girls basketball	5,346	5,325	5,655	-	5,016
Baseball	(2,394)	4,829	4,518	2,083	-
Golf	278	-	202	-	76
Bowling	-	95	907	812	-
Boys track	(1,019)	3,850	5,441	2,186	(424)
Girls track	480	1,643	2,170	47	-
Wrestling	-	1,358	4,370	-	(3,012)
Softball	308	6,863	6,863	-	308
Volleyball	1,583	3,062	3,629	-	1,016
Yearbook	4,976	6,295	7,939	-	3,332
Pep/Jazz band	1,096	-	273	-	823
Vocal	-	4	680	676	-
Student council	2,826	5,660	6,586	-	1,900
Leadership club	-	498	431	-	67
TSA	-	500	256	-	244
Speech	-	25	764	739	-
Cheerleaders	1,176	2,958	6,297	2,163	-
Art club	-	405	-	-	405
Drama club	441	1,030	1,189	-	282
Drill team	6,634	5,873	6,919	-	5,588
National Honor Society	-	-	345	345	-
FCS	176	1,102	210	-	1,068
Lettermans club	1	13,270	4,018	(9,253)	-
Class of 2014	(15)	711	898	202	-
Class of 2015	527	5,024	4,023	-	1,528
Class of 2016	663	-	50	-	613
Class of 2017	483	-	53	-	430
MS athletics	(4,508)	5,935	12,246	-	(10,819)
Kathy's Kids	5,636	8,548	7,747	-	6,437
Science club	58	310	40	-	328
Odyssey of the mind	3,840	335	207	-	3,968
Totals	34,431	107,656	120,096	-	21,991

## MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,367,518	3,161,643	3,395,915	3,262,342	2,937,805	2,771,764	2,658,572	2,441,309	2,456,381	2,453,453
Tuition	110,742	93,298	89,664	96,036	107,431	108,099	120,433	118,182	119,589	151,067
Other	157,938	242,747	211,874	195,118	202,767	197,959	281,187	311,809	211,633	205,012
State sources	2,222,700	2,076,293	1,806,304	1,644,663	1,321,757	1,871,249	2,145,836	2,252,263	2,025,513	2,225,828
Federal sources	163,492	172,755	240,188	321,106	288,841	134,953	142,060	184,381	186,720	221,771
Total revenues	<u>6,022,390</u>	<u>5,746,736</u>	<u>5,743,945</u>	<u>5,519,265</u>	<u>4,858,601</u>	<u>5,084,024</u>	<u>5,348,088</u>	<u>5,307,944</u>	<u>4,999,836</u>	<u>5,257,131</u>
Expenditures:										
Instruction:										
Regular	2,301,401	2,111,901	2,104,645	2,098,775	1,939,257	2,067,648	2,183,502	2,203,337	2,211,222	2,101,243
Special	484,169	549,780	477,318	413,724	422,877	428,166	632,698	558,010	542,040	469,336
Other	521,541	532,349	532,646	485,707	458,977	509,522	478,531	537,800	536,757	537,082
Support services:										
Student	199,254	187,442	179,593	166,450	174,952	146,292	143,693	135,050	122,808	118,025
Instructional staff	92,974	85,407	101,305	80,397	102,836	140,876	68,179	93,390	80,638	128,593
Administration	543,757	545,438	517,916	533,386	506,793	538,342	531,691	590,186	538,965	493,963
Operation and maintenance	435,255	437,973	454,040	378,001	392,342	446,572	456,669	361,244	367,876	355,548
Transportation	267,814	286,022	257,617	320,710	332,894	214,000	285,824	197,448	211,876	247,936
Non-instructional programs	-	-	-	-	-	-	-	-	16,031	-
Other expenditures:										
Facilities acquisition	181,729	94,755	58,784	178,255	290,623	320,186	2,680,970	464,520	119,032	219,509
Long-term debt:										
Principal	130,000	125,000	120,000	115,000	110,000	105,000	55,000	-	-	-
Interest and other charges	94,575	98,387	103,988	108,825	113,450	117,712	169,787	-	-	-
AEA flowthrough	184,457	177,885	178,437	201,353	196,288	184,244	181,904	179,599	172,997	174,587
Total expenditures	<u>5,436,926</u>	<u>5,232,339</u>	<u>5,086,289</u>	<u>5,080,583</u>	<u>5,041,289</u>	<u>5,218,560</u>	<u>7,868,448</u>	<u>5,320,584</u>	<u>4,920,242</u>	<u>4,845,822</u>



Gary E. Horton CPA

902 Central Ave. E.-PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
[BETCO@mchsi.com](mailto:BETCO@mchsi.com) E-mail

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Marcus-Meriden-Cleghorn Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Marcus-Meriden-Cleghorn Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marcus-Meriden-Cleghorn Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Marcus-Meriden-Cleghorn Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marcus-Meriden-Cleghorn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Marcus-Meriden-Cleghorn Community School District's Responses to the Findings

Marcus-Meriden-Cleghorn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Marcus-Meriden-Cleghorn Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marcus-Meriden-Cleghorn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

May 31, 2015

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 14-I-A      Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 14-I-B      Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts budgeted in the non-instructional and other expenditures functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 14-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Brian Mugge, Board Member, Owner of Mugge Lite Construction	Repairs	120
Luke Olson, Board Member	Athletic Official	320

The transactions do not appear to be a conflict of interest as they are less than the \$2,500 allowed.

Recommendation: The District should establish procedures to ensure the \$2,500 limit is not exceeded or take bids.

District Response: We will monitor this in the future more closely.

Conclusion: Response accepted.

- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 14-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

- 14-II-G Certified Enrollment: The basic enrollment data certified to the Department of Education was overstated by 1 student.

MARCUS-MERIDEN-CLEGHORN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

14-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

14-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

	\$	\$
Beginning balance		1,462,078
Revenues/transfers in:		
Statewide sales, services and use tax revenue	395,551	
Other	2,078	397,629
	<hr/>	<hr/>
		1,860,707
Expenditures/transfers out:		
Transfers out		66,437
		<hr/>
Ending balance		<hr/> 1,793,270 <hr/>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.